



PUBLIC INCENTIVE POLICY

AN INITIATIVE OF PROJECT DOWNTOWN

City Council Workshop
April 26, 2011

PROJECT DOWNTOWN – THE MASTER PLAN



Charts a 20-year vision for Downtown Wichita

**Principles: culture, economic growth, community,
sustainability and design**



BUSINESS PLAN FOR DOWNTOWN

“A prudent public-investment policy designed to unlock private investment”

- ✓ Target investments to support market-driven development
- ✓ Maximize existing public investment
- ✓ “Build it as they come”
- ✓ Make public investments that bring lasting public benefits
- ✓ Target investments to enable people to benefit and invest further
- ✓ Bring clarity and predictability to applying for and administering public incentives



CRITERIA FOR PUBLIC/PRIVATE DEVELOPMENT INCENTIVES

Downtown Plan's General Guidelines

○ Developer:

- Past performance
- Appropriate expertise
- Capitalization

○ Project:

- Appropriate uses per location
- Design supporting walkability, downtown character – transparent facades, historic compatibility
- Priority community benefits as defined by the particular district - river access, public parking, park enhancements



TYPES OF PROJECTS – THOSE USING THE FOLLOWING PUBLIC FUNDING SOURCES SUCH AS:

- Tax Increment Financing (TIF)**
- Capital Improvement Projects (CIP)**
- Hotel Guest Tax**
- Forgivable Loans**
- STAR Bonds**
- Cash**
- Others to be determined by the City Council**



PROGRAMS NOT INCLUDED IN DOWNTOWN INCENTIVE POLICY EVALUATION

- **Industrial Revenue Bonds**
- **Tax Abatement**
- **EDX Abatement**
- **Façade Improvement Program**
- **Special Assessment Financing for Asbestos/Lead Paint Management**
- **Community Improvement District**
- **NRA Tax Rebate**
- **Historic Preservation Programs**
- **Housing Tax Credits**
- **First time Homebuyers Program**
- **Others to be determined by the City Council**





THE POLICY

Project/Developer Evaluation

POLICY DEVELOPMENT PROCESS

- **City-WDDC task team**
- **Best practices research other jurisdictions**
- **Review/guidance from Sarah Woodworth**
- **Coordination with WDDC Board of Directors and local lenders**
- **Developer Stakeholder Policy Review/Discussion**



POLICY DEVELOPMENT RECOMMENDATIONS

- **Create objective, predictable evaluation criteria**
- **Use weighted scoring evaluation methodology**
- **Identify minimum threshold criteria to maximize staff time by only evaluating/scoring viable projects**
- **Benefits of methodology:**
 - Predictable and fair: everyone knows the rules
 - Reduces subjectivity but will allow flexibility and reasonableness



COMPONENTS OF EVALUATION CRITERIA (100 POINTS)

- **Minimum Submittal Criteria for Developer (threshold)**
- **Minimum Submittal Criteria for Project (threshold)**
- **Public Benefit/Compatibility with Downtown Plan (40)**
- **Project Characteristics (35)**
- **Experience/Qualifications of Developer (25)**



OVERVIEW – THRESHOLDS/DEVELOPER

SUBMITTAL CRITERIA FOR DEVELOPER:

- Development entity or key partners provide at least 10% equity
- Development entity or key partners provide a proportional guarantee for public revenue shortfall
- Development entity and key partners pass City vetting process
- Submittal of Letter of Interest from primary lender or equity investor



OVERVIEW – THRESHOLDS/PROJECT

SUBMITTAL CRITERIA FOR PROJECT:

- Consistent with Project Downtown's general and district design guidelines
- Economic analysis confirms that project is infeasible "but for" public investment
- Public investment is in a public asset as defined in Project Downtown
- Minimum proportional private to public capital investment ratio of 2 to 1
- Minimum public debt service coverage ratio of 1.2 to 1



OVERVIEW – MAIN SECTIONS

- **PUBLIC BENEFIT/COMPATIBILITY WITH OVERALL DOWNTOWN PLAN** (40 points)
 - Project Location/Design/Land Use
 - Return on Public Investment
 - Public Purpose
- **PROPOSED PROJECT CHARACTERISTICS** (35 points)
 - Business Plan Assessment
 - Developer Equity
 - Share of Public Funding
 - Lender Commitment
- **CURRENT EXPERIENCE AND CREDITWORTHINESS OF DEVELOPER** (25 points)
 - Financial Statement
 - Experience and Qualifications



PUBLIC BENEFIT

○ PUBLIC BENEFIT/COMPATIBILITY WITH OVERALL DOWNTOWN PLAN

- **Project Location/Design**

- Catalyst sites
- Walkable focus areas
- Extraordinary design – “community of distinction”
- Fosters additional development ; connect downtown districts

- **Return on Public Investment** - exceeds 1.3:1 CEDBR model

- **Public Purpose**

- Public asset serves other developments
- Accomplishes downtown vision/strategies
- Enhances economic base
- Promotes environmental sustainability



PROJECT CRITERIA

○ PROPOSED PROJECT CHARACTERISTICS

- **Market Analysis**
 - Confirms feasibility; third party analysis
- **Pro Forma Evaluation**
 - Rate of private investment return
 - Rents/prices consistent with comparables
 - Rate of absorption
 - Long-term project solvency
- **Developer Equity**
 - Exceeds 10% threshold
- **Share of Public Funding**
 - Ratio of private to public investment
- **Lender/Investor Commitment**
 - Financial stability of lender
 - Firmness of lender commitment



DEVELOPER CRITERIA

○ CURRENT EXPERIENCE AND CREDITWORTHINESS OF DEVELOPER

- **Financial Statements**

- Third-party analysis
- Financial statement analysis of developer/investors/private funder

- **Experience and Qualifications**

- Credit History
- Good standing with previous lenders
- Experience with similar public-private city projects, same development team
- References from municipal partners



PROPOSAL REQUIREMENTS

- **Pre-Proposal Meeting – Downtown Design Resource Center**
- **Project Summary**
 - Description of Project: Purpose/Threshold Attainment
 - Development Team
- **Design Plan**
 - Site Plan/Perspective Drawings
- **Business Plan**
 - Market analysis
 - Pro Forma//Sources of Capital
 - Amount and Purpose of Public Investment
 - Repayment Plan/Shortfall Guarantee
- **Developer Background**
 - Financial Statements
 - Legal Structure of the Business
 - Experience of Development Team
 - Banking/Financial Qualifications and References
 - Applicant Disclosure Questionnaire
- **Application Fee**




EVALUATION PROCEDURE

- Review team comprised of City, WDDC, and private sector representatives
- Review Team trained in use of scoring matrix/worksheet
- Team convened as needed to evaluate viable projects that have participated in preliminary development conference with DDRC
- Project/developer meet minimum thresholds



DEVELOPER COMMENTS

General comments/themes/key points:

- ROI is difficult to measure due to multiple variables (exploring alternative measures)
 - Public Benefit and Project Sections should be weighted heavier than Developer Qualifications (revised)
 - Confidentiality of Financial Information is concern (3rd party services)
 - Basis for application fee needs to be developed; 3rd party analysis included in the fee (underway)
 - Proportion of developer equity/investment is a concern (based on proportion of complete phased project)
- 



QUESTIONS/COMMENTS